



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

# HIGHLIGHTS

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September 24, 2013

## W.F. Bolger Center for Leadership Development

Report Number HR-AR-13-007

### **BACKGROUND:**

The W.F. Bolger Center for Leadership Development (Bolger Center) is a U.S. Postal Service-owned hotel and conference center located in Potomac, MD. The facility was purchased in 1980 for use as an employee training center. During fiscal year (FY) 2004, the Postal Service contracted a hospitality management company to operate, maintain, and market the facility to external customers to offset operating costs. Today, the Bolger Center accommodates meetings and conferences for private and government organizations and social events for the general public. From FYs 2010 through 2012, external business accounted for 85 percent of the contractor-reported total revenue of about \$51.1 million and 77 percent of the occupied rooms.

Our objective was to evaluate the Postal Service's business case to operate the Bolger Center.

### **WHAT THE OIG FOUND:**

The Postal Service has a valid business case to operate the Bolger Center. Management uses the facility as a low-cost alternative to accommodate Postal Service events, and the facility is home to the U.S. Postal Inspection Service Career Development Division. Although the Postal Service reported a loss for the facility of about \$3.5 million in FY 2012, it saved about \$4.5 million in hotel and meal costs by conducting

Postal Service events at the Bolger Center, instead of using an outside hotel and conference center. In addition, the contractor leases the excess capacity to external customers with the intent to offset the costs of operating the facility. The contractor implemented marketing strategies to solicit external business, including government agencies, corporations, and private parties.

However, management did not allocate all operating costs between internal and external customers, making financial planning decisions difficult. Also, management has not conducted a formal audit of the contractor's financial records as required since the contract was initiated. Finally, management received contractor payments by paper check rather than electronically. As a result, we identified about \$6.7 million as revenue at risk. As a result of our audit, management implemented an electronic payment process; therefore, we did not make a recommendation on that issue.

### **WHAT THE OIG RECOMMENDED:**

We recommended management establish a method to allocate all Bolger Center operating costs between internal and external customers, and conduct a formal audit of the contractor's financial records annually.